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MONTHLY PROJECTIONS
January 1988

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SLOW GROWTH IS LIKELY IN NEXT YEAR

Following the release of the preliminary GNP estimates for the fourth quarter, several economic analysts assumed that the sharp increase in inventory investment would lead to a significant inventory correction early in 1988. However, the most recent information shows that only a very modest pause in economic activity occurred in January. This pause should be followed by a renewed economic advance.

Initial unemployment claims moved up sharply at the end of December and continued to grow through the third week of January. However, these claims have since decreased. Despite, relatively modest growth in the money stock, short-term interest rates were trending downward. Recently, however, monetary aggregates have begun to grow fairly vigorously and interest rates have ceased their downward trend. This suggests that money demand is now beginning to exert itself. Also, the sharp decline in sensitive prices appears to have been arrested in recent days. Sensitive prices in the PPI increased 1.3% in January. Even the Journal of Commerce index, which had been trending downward through much of January, has been rising. These are all signs that economic activity may once again be increasing.

These signs of continuing economic expansion are somewhat surprising in light of continued accumulation of inventories at the retail and wholesale levels. Indeed, business inventories increased 0.8% during December, almost certainly necessitating an upward revision in fourth quarter GNP. With upward revisions in retail sales and an unexpectedly narrow trade deficit for December, real GNP in the fourth quarter may be revised upward to 4.8% or more. However, the heavy dependence of GNP growth upon inventory accumulations will remain. Thus, the need to liquidate inventories, at least durable goods, at the wholesale and retail level remains. Indeed, we expect to see reduced inventory accumulations during the next few months. Nevertheless, reasonably strong consumer spending, a rebound in capital goods expenditures, and a continuing narrowing of

the real trade deficit should combine to offset the adverse effects from the inventory correction.

On the surface, the January PPI suggests that inflation once again is warming up. Not only did the index increase 0.4%, but the index excluding food and energy rose 0.5%. Of course, large increases in food prices were offset by large decreases in petroleum prices in January. Since petroleum prices appear to have stabilized, inflationary fears are beginning to rise. However, the increase in food prices appears to be temporary. California had a problem with its vegetable crop which accentuated the run-up in vegetable prices. Also, meat prices rebounded after three months of significant declines. More moderate food prices should be expected in the months ahead. Of greater significance was the importance of one-time price increases for some heavy equipment and especially periodicals and newspapers. If these items were excluded, the PPI less food and energy would have been up 0.2%.

Of course, such reasoning can always find special cases for price movements. Thus, it will be important to observe much more moderate price changes on the PPI in February. If such moderation does not appear, then increasing inflationary fears may be justified. (The rebenching of the PPI occurred too late to adjust this month's data for that series. Adjustments will be made next month.)

The shrinking trade deficit has encouraged foreign investors to once again increase their holdings of dollar-based assets. This has generated an increase in the value of the dollar, which is not expected to last. In fact, the improvement in trade balances should not last too much longer. Although the deficit declined in December, imports showed no drop off despite weakening in the value and volume of oil. Our seasonal factors for imports suggest that after seasonal adjustment, imports actually rose by $1 billion. This suggests that when less favorable seasonal conditions begin developing early in 1988, the trade deficit will rise. This increase will begin to generate adverse effects upon the dollar's value. Indeed, the Federal Reserve may be forced to defend the dollar before mid-year by encouraging higher short-term interest rates. Thus, the current downward trend in short-term interest rates appears to be short-lived.

Quarterly Profile of GNP

	1987-4	1988-1	1988-2	1988-3	1988-4	1987 Annual	1988 Annual
Real:	4.2	0.5	1.2	1.1	1.6	2.9	2.1
Price:	2.7	2.4	3.0	4.1	4.3	3.0	3.0
Nominal:	6.7	3.0	4.2	5.3	5.9	5.9	5.6

Monthly Statistical Highlights for January 1988

Personal income +0.1%; savings rate 5.6%; personal consumption +0.2%; housing starts +1.2%; housing permits -1.0%; construction expenditures -3.9%; business inventories +0.4%; orders for durable goods -2.4%; orders for non-defense capital goods -9.7%; industrial production +0.1%; consumption deflator +0.2%; leading indicator -0.1%; real GNP(AR) -0.6%.

Monthly Statistical Highlights for February 1988

Payroll employment +113,000; index of hours worked -0.1%; household employment +40,000; civilian unemployment rate 5.9%; personal income +0.4%; savings rate 5.8%; personal consumption +0.4%; retail trade +0.3%; auto sales 10.2 million units; housing starts +1.9%; housing permits -0.4%; construction expenditures +0.7%; business inventories +0.4%; orders for durable goods -0.1%; orders for nondefense capital goods +0.2%; industrial production -0.1%; CPI +0.3%; PPI +0.2%; consumption deflator +0.2%; leading indicator -0.3%; real GNP(AR) -0.6%; M1(AR) +10.2%; M2(AR) +7.4%.

Commentary

Employment - Payroll employment showed the modest increase in January that had been anticipated. However, the workweek increased slightly. In addition, the index of hours worked rose. These figures showed more strength in manufacturing than had been anticipated as the result of a surge in nonelectrical machinery employment and in most nondurables. A 155,000 rebound in retail employment merely reflected the fact that those people who were not hired during Christmas were not fired afterwards. Much more modest changes in retail employment are expected in the next few months. A 65,000 decline in government appears to be a seasonal aberration that will be reversed next month. On the other hand, significant closures of auto plants should lead to further declines in motor vehicle employment. Much of the 50,000 decline in construction probably was weather-related.

Initial unemployment claims finally decreased in the last week of January. However, claims are up sharply for the month and the rate has increased to 2.3%. This should lead to a slight increase in the unemployment rate next month. The report also showed a surprisingly large 0.5% increase in the hourly earnings index. The index is now 2.9% higher than the previous year. This still is a relatively modest rate of wage inflation, but some acceleration appears to be developing.

Personal Income and Outlays - This month is the time when increases in social security will significantly depress personal income. There is not expected to be a significant swing in farm income as there was in the previous report. On the other hand, the slowing in interest rates should begin to take away interest income. As a result, relatively little gain in January personal income is anticipated when the report is released.

Consumption should grow more vigorously, however. Unusually cold weather will significantly increase utility consumption. Upward revision in retail sales for December suggests that the consumer has not retrenched at this time. A continuation of relatively strong retail sales growth in January also supports the assessment that consumer retrenchment remains to be done. Indeed, greater than originally projected strength in consumer activity early in the year may now develop. However, this should not be construed as a desire for more consumption at prevailing income levels. Rather, some weakening in consumption is expected to develop later in the year.

Construction - Weather will be the dominant factor in altering construction in January. Significant declines are expected in all categories. However, there appears to be further underlying declines in nonresidential construction activity. This weather-related decline also should effect housing starts.

The surge in the construction deflator in November was partially retraced in December. Apparently, some pricing aberrations occurred in the sample that overstated the November gain. This suggests that prices will begin increasing again in January, but not at the rate previously forecast.

Business Activity - The surge in business inventories in December was definitely unexpected, both by ourselves and by the Department of Commerce. As a result, some upward revisions in the fourth-quarter GNP estimates appear to be in order. In addition, durable inventories at the wholesale and retail level remain unusually heavy. Some reduction of these inventories will occur as a result of production curtailments in the automobile industry. Inventories also are heavy for nondurables at retail and wholesale levels. However, these inventories are thought to be largely imported products. If that is the case, import activity will slow down in a few months while these inventories are gradually worked off.

The surge in durable goods orders in December was a major surprise, even if it largely entailed sharp increases in aircraft orders. There also was a significant gain in orders for primary metals, which probably was the result of the rapid price run-up for copper and the beginning of a price run-up for aluminum. Now that copper prices are trending downward, orders probably will slow for primary metals. Orders for electrical equipment were surprisingly weak, suggesting that technology-related companies probably will not perform well in the early part of 1988.

Because so many of the gains in orders were the result of aircraft, which is notoriously volatile, a drop in orders is anticipated in January. In addition, the sharp surge in defense shipments appears to be a one-month surprise that should be reversed in the next few months.

Industrial production is expected to be buffeted by offsetting factors in the next few months. An inventory correction probably will significantly reduce the production of consumer goods. On the other hand, some growth in industrial materials and increases in utility activity should be putting some upward pressures upon industrial production measures. Indeed, industrial production, after growing much more slowly than GNP in the past three years is now beginning to accelerate relative to GNP. This is exactly what has been expected for the overall economy. An increase is anticipated in the industrial component of the economy. Moreover, this increase in industrial activity should lead to pressures upon capacity utilization that will generate stronger orders for capital goods and stronger shipments than had previously been anticipated.

Prices - The sharp run-up in consumer durable prices in December appears to be the result of composition shifts in favor of higher priced automobiles and a sharp increase in jewelry components. Now that gold prices have fallen dramatically in January, these durable goods prices should stabilize for several months. Consumer nondurables will be pressured downward as a result of further decreases in oil prices. The temporary surge in food prices that developed in the PPI for January will not be sufficient to offset the weakness in petroleum and apparel prices.

Despite the absence of any recessionary tendencies and the presence of some acceleration in wage cost pressures, prices are estimated to grow more slowly than originally anticipated. Some of the slowing is the result of greater weakness in the energy component early in 1988 than hand previously been antici-

pated. In addition, food prices should soon settle from their January surge and exert downward pressures for the first half of 1988. Inflation will reappear, however, during the second half of the year.

Miscellaneous - The merchandise trade deficit has decreased significantly in the past two months, although seasonal factors account for more than half of that improvement. Adverse seasonals will begin to develop in the first half of 1988. As a result, generally improving trade positions will not be clearly reflected in the monthly merchandise trade reports.

Further declines appear to be in store for the leading indicators. Although the abrupt drop in the indicators in November was largely the result of stock market prices, the more recent declines appear to be the result of rising initial unemployment claims. In addition, sensitive prices are not rising as rapidly as they were in the fall. This suggests that an extended period of relatively weak leading indicators could develop. Indeed, the indicators for January could fall more than anticipated if orders correct from their December surge.

Financial Markets

Following some Federal Reserve easing after the stock market crash, the Federal Reserve acted quickly to withdraw those surplus funds. This exerted some modest upward pressures upon short-term interest rates toward the end of the year and also accentuated weakness in M1. However, the relatively slow growth of M2 also suggests that money demand was weak.

The Federal Reserve has now apparently moved more aggressively toward an easing posture. The money stock has increased even as interest rates are beginning to decline. The reason for this easier monetary policy is the combined evidence of relative economic sluggishness, contained inflation - at least until the PPI report was released - and a stronger dollar. Now that the monetary aggregates have increased significantly and interest rates have declined modestly, the Federal Reserve probably will be more reluctant to ease further. It is our belief that the Federal Reserve will accommodate whatever money demand is generated at current or slightly lower federal funds rates but will not move toward a more aggressive easing posture. This will lead to a significant acceleration in money growth in the next few weeks followed by increases in short-term interest rates by mid-year. These increasing rates, in turn, should lead to slowing in M1 growth as deposits move toward noncheckable liquid assets.

It is interesting to note that much of the weakness in interest rates has been from private demand to the Federal Reserve. Just as commercial paper rates soared in December and then came down dramatically in January, the federal funds rate was pressed slightly upward in December and then was pushed downward significantly in January. Currently, interest rates are sufficiently low in the short-term market to justify a further modest decrease in the prime rate. Our analysis, however, suggests that interest rates will bottom out by mid-year and begin moving upward again in the second half of the year.

Equity Markets - This economic outlook suggests that corporate profits are improving in quality as the inflationary distortions of inventory profits are diminished. In addition, a smaller portion of corporate profitability is being generated by especially favorable tax considerations for treating capital

assets. However, the relatively sluggish growth in the economy as 1988 begins probably will exert some downward pressures upon corporate profitability. When all these forces are considered, our estimates of operating profits plus tax liabilities probably will be unchanged to slightly higher in the first half of 1988. As interest rates are trending downward, this would tend to exert some upward pressures upon stock market values. By mid-year, however, much of this position will be reversed. The quality of profits will be declining while interest rates will be rising. Nevertheless, sufficient gains will develop in corporate profitability to probably preserve the modest stock market gains that should develop in the first half of this year. Economic conditions are not present to create a significant decline in equity values in 1988. On the other hand, the sideways economy that currently is being projected should not dramatically improve equity vales either.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	102126	102126	120.6	120.6	112727	112727	6.0	6.0	173.2	173.2
August	102278	102275	121.2	121.2	113081	113050	6.0	6.0	174.1	174.1
September	102410	102434	120.2	120.4	112772	112872	5.9	5.9	174.7	174.6
October	102685	102983	121.5	121.9	113456	113210	5.9	6.0	175.1	174.9
November	102780	103285	121.7	122.2	113516	113504	5.8	5.9	175.5	175.8
December	102873	103596	121.8	121.0	113577	113744	5.8	5.8	175.9	175.4
January 1988	102986	103703	121.8	122.2	113753	114129	5.8	5.8	176.3	176.3
February	103081	103816*	121.7	122.1*	113935	114169*	5.8	5.9*	176.8	176.6*
March	103175	103962	121.7	122.2	114117	114239	5.8	5.9	177.5	176.8
April	103346	104153	121.9	122.4	114298	114455	5.8	5.8	178.0	177.3
May	103502	104356	122.1	122.6	114439	114692	5.8	5.7	178.4	177.7
June	103658	104507	122.4	122.8	114580	114978	5.9	5.5	178.9	178.2
July	103796	104721	122.5	123.0	114723	115120	5.9	5.5	179.5	178.6
August	103905	104995	122.6	123.2	114840	115309	5.9	5.5	180.2	179.1
September	104044	105192	122.7	123.4	114957	115536	6.0	5.4	180.8	179.7
October	104207	105312	122.8	123.5	115118	115713	5.9	5.4	181.3	180.2
November	104293	105438	122.8	123.4	115325	115864	5.9	5.4	181.7	180.7
December	104286	105357	122.7	123.3	115223	115783	6.0	5.6	182.2	181.2

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	3.737	3.739	2.210	2.210	107.0	100.1	3.176	3.178	3.069	3.078
August	3.758	3.761	2.229	2.229	70.2	70.6	3.192	3.195	3.122	3.124
September	3.784	3.783	2.242	2.240	106.6	95.7	3.213	3.213	3.106	3.117
October	3.802	3.854	2.256	2.258	124.3	181.9	3.229	3.279	3.105	3.097
November	3.818	3.836	2.265	2.272	121.8	145.2	3.243	3.257	3.121	3.112
December	3.835	3.865	2.273	2.281	121.4	153.9	3.258	3.282	3.136	3.128
January 1988	3.839	3.869*	2.282	2.283*	140.7	185.4*	3.291	3.317*	3.150	3.132*
February	3.859	3.885	2.292	2.290	147.0	193.2	3.314	3.334	3.167	3.144
March	3.878	3.904	2.303	2.302	144.9	195.3	3.329	3.352	3.184	3.157
April	3.891	3.923	2.312	2.316	143.6	194.7	3.340	3.367	3.196	3.172
May	3.903	3.941	2.323	2.326	134.9	192.4	3.346	3.381	3.211	3.189
June	3.915	3.960	2.333	2.338	124.1	198.4	3.353	3.396	3.229	3.198
July	3.932	3.976	2.344	2.348	123.6	196.4	3.366	3.407	3.242	3.211
August	3.949	3.992	2.355	2.360	122.2	176.7	3.376	3.418	3.254	3.241
September	3.965	4.011	2.366	2.373	104.6	178.9	3.386	3.432	3.282	3.253
October	3.978	4.029	2.375	2.384	121.3	189.1	3.398	3.445	3.277	3.256
November	3.988	4.045	2.384	2.390	106.5	178.6	3.403	3.457	3.297	3.278
December	3.999	4.058	2.393	2.397	89.3	168.8	3.409	3.465	3.320	3.296

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	2974.5	2983.6	417.1	424.6	984.6	984.6	1572.7	1574.4	2501.9	2509.4
August	3026.3	3028.8	447.4	447.8	991.9	990.1	1587.0	1591.0	2534.8	2536.6
September	3010.2	3021.5	433.3	438.0	987.7	984.4	1589.3	1599.0	2514.3	2516.2
October	3008.8	3000.3	415.1	404.2	992.3	981.7	1601.4	1614.4	2505.2	2489.2
November	3024.4	3014.5	413.6	412.2	997.0	984.9	1613.8	1617.4	2505.7	2494.3
December	3039.1	3030.6	414.5	424.9	1000.8	983.5	1623.8	1622.2	2511.7	2506.2
January 1988	3052.6	3035.7*	418.5	418.7*	1002.6	983.6*	1631.5	1633.4*	2514.5	2505.7*
February	3068.9	3047.6	422.2	417.7	1004.6	989.3	1642.1	1640.6	2521.7	2510.6
March	3085.5	3060.1	426.0	419.2	1006.7	992.4	1652.8	1648.5	2527.0	2517.5
April	3097.4	3075.3	425.3	422.7	1010.6	995.3	1661.5	1657.3	2528.5	2523.6
May	3111.6	3091.2	423.7	425.8	1016.2	999.2	1671.7	1666.2	2531.8	2529.4
June	3129.2	3099.8	425.7	421.8	1021.5	1001.1	1682.0	1676.9	2537.9	2527.3
July	3142.0	3112.3	425.8	418.6	1024.8	1006.3	1691.4	1687.4	2540.0	2527.6
August	3152.9	3142.6	423.9	435.4	1027.7	1010.9	1701.3	1696.3	2540.6	2544.1
September	3180.5	3154.0	438.2	433.6	1030.8	1014.6	1711.5	1705.8	2554.6	2544.4
October	3174.9	3156.2	416.9	421.5	1035.4	1020.3	1722.6	1714.4	2539.9	2537.7
November	3194.2	3178.0	421.3	427.6	1040.1	1025.6	1732.8	1724.8	2545.2	2545.2
December	3216.8	3195.6	429.2	429.2	1044.6	1030.8	1743.0	1735.6	2555.0	2548.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Foro.	C.E.
July 1987	127.06	127.06	20.30	20.30	10.5	10.5	77.33	77.33	29.44	29.44
August	129.27	128.93	20.18	20.26	12.4	12.4	77.98	77.79	31.11	30.88
September	128.76	126.79	20.17	20.17	10.1	11.7	77.93	77.08	30.66	29.53
October	127.01	125.63	20.27	19.92	9.3	9.3	78.08	76.97	28.66	28.74
November	126.74	125.77	20.36	20.20	9.0	9.9	78.45	77.02	27.93	28.55
December	128.23	126.68	20.31	20.34	9.4	10.9	78.75	77.08	29.17	29.25
January 1988	128.96	125.91*	20.25	20.11*	9.6	10.4	78.89	77.04*	29.79	28.76*
February	129.97	126.24	20.20	20.22	9.9	10.2*	79.05	77.49	30.72	28.53
March	130.43	126.65	20.19	20.25	10.0	9.8	79.21	77.73	31.03	28.67
April	130.39	127.29	20.15	20.22	9.9	10.0	79.52	77.96	30.72	29.11
May	129.78	127.95	20.14	20.26	9.6	10.2	79.96	78.26	29.68	29.43
June	132.42	127.64	20.20	20.15	10.3	10.0	80.38	78.41	31.84	29.08
July	132.56	127.68	20.17	20.21	10.2	9.7	80.64	78.82	31.75	28.65
August	131.47	129.99	20.10	20.25	9.8	10.5	80.87	79.18	30.50	30.56
September	133.81	130.07	20.09	20.33	10.8	10.3	81.11	79.47	32.61	30.27
October	130.29	129.11	20.15	20.26	8.9	9.5	81.47	79.92	28.67	28.93
November	131.30	130.23	20.25	20.43	9.1	9.8	81.84	80.33	29.21	29.47
December	132.81	130.83	20.34	20.46	9.4	9.8	82.20	80.74	30.27	29.63

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	1.598	1.598	1.143	1.143	1.487	1.487	393.4	398.5	341.1	346.5
August	1.598	1.585	1.111	1.111	1.502	1.502	399.6	402.9	345.6	350.4
September	1.669	1.685	1.168	1.211	1.493	1.502	399.8	402.8	344.7	350.1
October	1.592	1.537	1.106	1.105	1.501	1.463	397.0	403.5	342.2	351.2
November	1.577	1.639	1.093	1.110	1.473	1.469	396.2	411.3	340.7	354.8
December	1.558	1.374	1.080	1.023	1.426	1.340	395.7	409.7	339.4	354.6
January 1988	1.486	1.390*	1.005	0.996*	1.391	1.327*	391.0	393.8*	334.8	340.4*
February	1.431	1.417	0.973	1.006	1.354	1.322	388.3	396.6	331.9	341.9
March	1.418	1.443	0.950	1.022	1.326	1.356	386.9	391.1	330.1	336.3
April	1.420	1.458	0.946	1.029	1.330	1.365	384.9	391.5	327.6	336.1
May	1.439	1.498	0.955	1.052	1.335	1.406	383.1	392.6	325.2	335.8
June	1.456	1.473	0.964	1.032	1.346	1.392	382.1	394.8	323.3	336.9
July	1.483	1.492	0.992	1.046	1.369	1.416	385.2	395.1	325.6	336.3
August	1.492	1.484	1.001	1.035	1.394	1.403	388.3	394.7	328.0	335.1
September	1.498	1.527	1.010	1.066	1.406	1.446	391.7	394.9	330.8	334.4
October	1.519	1.517	1.017	1.059	1.423	1.435	394.8	396.9	332.3	334.9
November	1.528	1.532	1.026	1.065	1.430	1.449	397.5	398.1	333.5	335.1
December	1.536	1.538	1.035	1.072	1.439	1.455	400.2	401.7	334.6	337.3

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	121.7	125.8	73.8	74.6	197.9	198.0
August	124.5	129.6	74.5	73.0	200.6	200.2
September	123.8	126.0	74.8	77.9	201.2	198.9
October	122.4	128.7	74.2	76.8	200.4	198.6
November	121.8	133.8	74.8	77.7	199.6	199.8
December	121.4	129.3	75.4	79.6	198.9	200.8
January 1988	120.6	125.9*	75.8	75.8*	194.6	192.1*
February	119.8	126.8	76.4	77.2	192.1	192.6
March	119.0	126.3	77.1	77.5	190.8	187.3
April	119.3	125.5	77.5	77.9	188.1	188.1
May	119.1	125.8	77.1	77.5	186.9	187.3
June	119.2	125.9	77.3	78.1	185.6	190.8
July	118.8	125.1	77.9	78.5	188.5	191.5
August	118.9	124.5	78.4	78.3	191.0	191.9
September	119.0	124.3	79.0	78.8	193.7	191.8
October	119.3	124.5	79.2	79.2	196.3	193.2
November	119.5	124.8	79.4	79.6	198.6	193.7
December	119.8	125.3	79.4	79.7	201.0	196.7

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	323.3	323.3	109.17	109.17	31.98	31.98	28.10	28.10
August	325.1	325.4	106.62	106.68	29.52	29.54	28.47	28.49
September	324.2	326.7	107.80	109.35	29.15	29.75	29.12	29.71
October	326.6	328.6	106.95	111.09	29.33	30.41	29.16	28.99
November	327.8	331.8	105.48	110.95	29.25	30.09	29.24	28.62
December	329.3	333.2	103.97	116.41	28.65	33.56	28.60	30.47
January 1988	331.5	334.8*	104.46	113.62*	28.67	30.29*	28.25	29.06*
February	332.9	335.8	104.65	112.48	28.43	30.36	28.40	29.01
March	334.6	337.1	105.14	113.82	28.46	30.93	28.52	29.25
April	336.1	338.1	104.87	111.45	28.69	30.14	28.56	29.36
May	338.0	339.8	105.56	113.06	28.73	30.56	28.69	29.45
June	339.5	341.5	105.29	114.43	28.65	31.24	28.83	29.62
July	341.0	343.2	105.16	114.96	28.64	31.55	28.59	29.65
August	342.2	344.9	105.94	114.32	28.73	31.26	28.75	29.80
September	343.4	346.6	106.65	111.26	28.75	30.54	28.73	29.87
October	344.9	348.4	107.13	111.73	28.94	30.66	28.82	30.04
November	345.8	349.8	107.48	110.82	29.06	30.27	28.98	29.67
December	346.8	351.5	107.26	111.44	29.01	30.23	28.80	30.45

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	677.7	677.7	8.91	8.91	130.6	130.6	81.1	81.1
August	678.8	678.8	8.80	8.80	131.0	131.2	81.2	81.4
September	678.3	682.4	9.53	9.52	131.2	131.0	81.2	81.1
October	681.5	687.9	9.26	9.13	131.7	132.5	81.4	81.9
November	684.9	695.5	9.10	9.24	132.0	133.1	81.4	82.0
December	688.0	698.3*	9.15	10.23	132.1	133.3	81.3	82.1
January 1988	691.2	701.1	9.23	9.46	131.8	133.4*	81.0	82.0*
February	694.3	703.9	9.32	9.43	131.5	133.2	80.7	81.7
March	697.9	706.7	9.40	9.42	131.3	133.3	80.4	81.6
April	700.3	709.5	9.28	9.47	131.3	133.5	80.2	81.6
May	704.1	713.0	9.37	9.55	131.5	133.7	80.2	81.6
June	707.1	717.3	9.50	9.51	131.7	134.0	80.2	81.7
July	709.6	720.9	9.43	9.43	131.9	134.1	80.2	81.6
August	712.3	725.2	9.62	9.56	132.2	134.3	80.3	81.6
September	714.9	728.1	9.38	9.63	132.5	133.8	80.4	81.2
October	717.6	731.7	9.43	9.47	132.0	134.2	79.5	81.4
November	720.5	734.6	9.52	9.56	130.3	134.6	78.3	81.6
December	723.1	737.5	9.60	9.85	128.6	134.9	77.1	81.7

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	341.0	341.0	297.4	296.9	322.6	322.1	117.6	117.6
August	342.7	342.6	297.3	297.4	323.0	323.8	117.8	117.8
September	343.4	343.2	298.2	298.3	324.0	323.3	118.1	118.2
October	344.9	344.5	298.5	297.6	325.0	324.9	118.5	118.5
November	346.3	345.5	299.4	297.6	325.7	325.4	118.8	118.7
December	347.7	345.8	300.3	296.8	326.5	325.3	119.1	118.9
January 1988	348.6	346.5*	300.7	297.5*	327.3	325.9*	119.6	119.1
February	349.5	347.4	301.1	298.0	328.4	326.2	120.1	119.4
March	350.5	348.0	301.5	297.9	329.5	325.8	120.6	119.6
April	351.8	348.9	302.3	298.4	330.1	327.1	120.9	119.9
May	353.2	349.8	303.2	298.7	330.6	327.8	121.2	120.3
June	354.7	351.2	304.2	299.9	331.2	328.6	121.4	120.7
July	355.7	352.3	304.9	300.5	332.1	330.9	121.7	121.1
August	356.8	353.5	305.6	301.2	333.0	332.5	122.1	121.5
September	357.7	354.9	306.3	302.4	333.9	330.4	122.5	121.9
October	359.1	356.1	307.1	303.1	335.8	334.1	122.9	122.4
November	360.5	357.5	308.2	304.3	337.7	335.4	123.3	122.8
December	361.9	358.9	309.3	305.3	339.6	336.6	123.7	123.3

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	118.9	118.9	106.6	106.8	112.1	112.1	127.6	127.6	115.3	114.9
August	119.4	119.4	107.5	107.5	112.6	112.6	128.2	128.2	115.6	115.0
September	119.6	120.1	107.8	107.7	112.8	113.2	128.5	129.0	115.8	115.1
October	120.1	120.5	107.7	107.3	113.3	113.5	129.0	129.4	116.0	114.9
November	120.7	120.9	107.6	107.6	113.7	113.8	129.5	129.8	116.3	115.9
December	121.0	120.9	107.6	108.1	114.1	113.6	130.1	130.1	116.6	115.5
January 1988	121.4	121.1*	108.0	108.0*	114.4	113.4*	130.6	130.6*	116.8	115.7*
February	121.7	121.4	108.2	108.0	114.6	113.4	131.0	131.1	117.0	116.0
March	122.1	121.6	108.4	108.3	114.6	113.3	131.4	131.4	117.2	116.3
April	122.5	121.9	108.5	108.6	115.0	113.5	131.9	131.8	117.5	116.5
May	122.9	122.2	108.7	108.9	115.4	113.8	132.5	132.2	117.8	116.9
June	123.3	122.7	108.9	109.0	115.8	114.2	133.1	132.7	118.2	117.2
July	123.7	123.1	109.2	109.1	116.0	114.6	133.5	133.3	118.3	117.5
August	124.1	123.5	109.4	109.6	116.3	115.0	133.9	133.8	118.4	117.8
September	124.5	124.0	109.7	109.8	116.6	115.5	134.3	134.2	118.4	118.1
October	125.0	124.4	109.9	109.6	117.1	115.9	134.9	134.7	118.8	118.5
November	125.5	124.9	110.0	109.9	117.7	116.5	135.5	135.2	119.2	118.8
December	125.9	125.4	109.9	110.1	118.4	117.1	136.1	135.8	119.6	119.1

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	-16.47	-16.48	191.4	191.6	4487	4488	3815	3816	-17.6	-17.6
August	-15.67	-15.68	192.6	192.8	4516	4524	3834	3840	-13.9	-19.1
September	-16.10	-14.08	192.0	193.1	4533	4559	3838	3857	-10.5	-18.8
October	-14.76	-17.63	189.7	193.3	4556	4583	3845	3868	-8.0	-21.6
November	-14.33	-13.22	188.8	191.0	4578	4595	3854	3871	-7.6	-23.9
December	-13.91	-13.80	186.9	190.7	4600	4616	3862	3882	-8.9	-21.1
January 1988	-13.73	-13.62*	187.5	190.5*	4615	4621	3859	3880	-8.5	-16.3
February	-13.87	-13.95	188.2	190.0	4629	4631	3854	3878	-7.8	-10.4
March	-14.02	-13.76	188.4	190.3	4644	4644	3851	3883	-9.3	-9.2
April	-13.73	-14.53	188.0	190.7	4665	4659	3859	3886	-6.5	-8.6
May	-13.46	-14.27	188.6	190.3	4688	4680	3868	3891	-6.1	-8.1
June	-13.15	-14.07	188.2	189.6	4712	4706	3881	3899	-7.2	-8.9
July	-15.32	-14.85	188.4	189.2	4731	4719	3887	3897	-7.4	-10.2
August	-14.42	-14.26	188.7	190.0	4754	4748	3894	3908	-7.5	-14.3
September	-12.61	-13.55	188.5	190.4	4778	4759	3900	3904	-7.9	-14.8
October	-12.95	-13.98	187.8	190.5	4790	4789	3897	3913	-15.6	-11.6
November	-13.43	-13.11	187.6	190.1	4798	4810	3891	3917	-19.7	-14.9
December	-13.26	-12.76	188.2	189.6	4800	4841	3880	3926	-23.6	-17.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	264.0	260.1	747.6	747.6	2848.4	2847.9	6.58	6.58	5.76	5.76
August	266.3	262.3	750.9	751.0	2860.1	2862.7	6.73	6.73	6.15	6.15
September	267.4	263.2	751.1	751.2	2874.6	2875.8	7.22	7.22	6.64	6.64
October	269.3	265.4	755.9	760.7	2893.8	2892.5	7.35	7.29	6.67	6.69
November	270.4	267.3	760.6	756.6	2912.7	2891.1	6.96	6.69	5.83	6.19
December	271.6	267.8	765.3	753.0	2931.5	2895.6	6.84	6.77	5.59	6.36
January 1988	273.5	272.3*	771.1	761.4*	2953.6	2916.8*	6.73	6.83	5.88	6.25
February	275.4	273.8	776.6	767.6	2974.1	2934.3	6.70	6.56*	5.95	5.94*
March	277.3	275.3	782.0	772.2	2994.7	2949.0	6.76	6.33	5.94	5.76
April	278.7	276.0	784.9	774.2	3015.3	2960.8	6.83	6.38	6.12	5.83
May	279.8	277.7	787.9	777.0	3026.9	2973.5	6.88	6.42	6.16	5.86
June	280.9	279.2	790.8	780.4	3038.4	2985.4	6.92	6.55	6.16	5.99
July	282.6	280.5	796.7	783.4	3059.2	3000.3	6.88	6.73	6.07	6.17
August	284.4	281.8	803.9	786.8	3080.0	3015.3	6.73	6.76	5.86	6.21
September	286.1	283.3	811.1	791.3	3100.9	3030.4	6.45	6.75	5.65	6.20
October	287.4	285.0	814.0	796.3	3115.6	3045.6	6.36	6.78	5.72	6.16
November	288.5	286.7	817.6	802.2	3130.3	3060.8	6.27	6.82	5.70	6.24
December	289.7	290.3	821.1	812.8	3145.0	3085.3	6.18	6.81	5.60	6.26

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1987	9.42	9.42	7.72	7.72	6.65	6.65	6.70	6.70	8.25	8.25
August	9.67	9.67	7.82	7.82	6.71	6.71	6.75	6.75	8.25	8.25
September	10.18	10.18	8.26	8.26	7.37	7.37	7.37	7.37	8.70	8.70
October	10.65	10.52	8.63	8.70	7.42	7.89	7.45	8.02	9.03	9.07
November	10.13	10.01	8.05	7.95	6.88	7.17	6.96	7.24	8.80	8.78
December	9.97	10.11	7.83	7.96	6.80	7.61	6.86	7.66	8.75	8.75
January 1988	9.76	9.88	7.61	7.69	6.75	6.87	6.78	6.92	8.75	8.75
February	9.65	9.44*	7.48	7.28*	6.72	6.47*	6.75	6.54*	8.75	8.53
March	9.66	9.33	7.54	7.16	6.81	6.29	6.88	6.36	8.75	8.28
April	9.77	9.47	7.67	7.34	6.90	6.35	6.96	6.50	8.75	8.25
May	9.89	9.63	7.81	7.51	6.94	6.46	7.03	6.58	8.75	8.25
June	9.95	9.68	7.91	7.60	6.96	6.60	7.06	6.69	8.75	8.25
July	9.71	9.85	7.57	7.73	6.78	6.84	6.87	6.96	8.75	8.63
August	9.40	9.92	7.29	7.84	6.65	6.81	6.75	6.91	8.59	8.75
September	9.05	9.84	6.88	7.77	6.38	6.76	6.49	6.84	8.25	8.75
October	9.07	9.82	6.94	7.79	6.26	6.85	6.32	6.93	8.25	8.75
November	9.02	9.88	6.95	7.90	6.15	6.93	6.26	7.02	8.25	8.75
December	8.98	9.94	6.87	7.97	6.11	6.92	6.19	7.01	8.25	8.75

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